

B. RILEY FINANCIAL ISSUES OPEN LETTER TO CORE SCIENTIFIC INVESTORS



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B. Riley Financial →

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Proposes Debt Restructuring to Core Scientific Board in Order to Avoid Bankruptcy

LOS ANGELES, Dec. 14, 2022 /PRNewswire/ -- B. Riley Financial, Inc. (NASDAQ: RILY) ("B. Riley"), a diversified financial services platform which is one of the largest creditors of Core Scientific, Inc. (NASDAQ: CORZ) ("Core Scientific" or "the Company"), today issued an open letter to Core Scientific shareholders and lenders.

In light of Core Scientific's strategic alternatives process with respect to its capital structure, B. Riley has engaged with the Company to restructure its debt and provide liquidity to avoid a potential unnecessary and value destructive bankruptcy proceeding. We believe that there is a path forward and have been proactive in working through a solution, specifically by providing debt on a number of unencumbered assets. B. Riley strongly urges the Company's Board of Directors to work with creditors expeditiously to achieve a productive resolution for the benefit of all Core Scientific stakeholders.

The full text of the letter is as follows:

An Open Letter From B. Riley To Core Scientific's Shareholders And Lenders

Ad Hoc Equity Group Exhibit 15



Dear Fellow Shareholders and Lenders of Core Scientific:

On October 26, 2022, Core Scientific announced that it would be suspending all principal and interest payments coming due in October and early November to several of its equipment lenders and for other financings, including its two bridge promissory notes. The Company also stated that it was exploring strategic alternatives with respect to its capital structure, and suggested that all options, including bankruptcy, were on the table. Since then, Core Scientific's common shares have declined 86% and currently trade at \$0.15 per share, representing a market capitalization of approximately \$50 million.

As one of Core Scientific's largest creditors, this announcement took us by surprise. Bankruptcy is not the answer and would be a disservice to the Company's investors. It will destroy value for the Company's shareholders, reduce potential recoveries for the Company's lenders, deplete its limited resources and create massive uncertainty for all its stakeholders.

Moreover, bankruptcy is not necessary at all. In our opinion, the vast majority of Core Scientific's issues are self-imposed and can be corrected in conjunction with an open, transparent discussion and ongoing participation with its creditors and equity holders. To that end, B. Riley has proposed to Core Scientific's Board of Directors that it would provide \$72 million in new, non-cash pay financing on favorable terms, providing more than two years of runway for the Company to achieve profitability. This is a far superior approach for all constituents, one that would avoid bankruptcy while preserving meaningful value for all of Core Scientific's stakeholders.

Our proposal and analysis are as follows. Core Scientific currently has approximately \$300 million of equipment and other loans (B. Riley's outstanding loan is \$42 million) that have a very short maturity. These loans were made when the price of Bitcoin was significantly higher than it is today and the theoretical payoff on miners was significantly faster. These debts were incurred as part of an aggressive, ill-conceived strategy by the Company to continue to build out power facilities and expand miners while never selling Bitcoin on hand and never hedging prices. This approach has led to the Company having to sell all of its inventory, representing 9,618 Bitcoins in April 2022 valued at \$362 million, at a massive loss. This decision combined with the fast maturity associated with mining has led the Company to its current position.

Our analyst, Lucas Pipes, has been following Core Scientific since February 10, 2022. Based on his model, adjusted for current metrics, even at a Bitcoin price of \$18,000, Core Scientific can generate Adjusted EBITDA of ~\$140 million. Additionally, if the company builds out the Denton, Texas facility for an incremental \$40 million of capital, that could add an additional \$25 million of EBITDA, resulting in a run rate EBITDA of ~\$165 million. On top of that, every \$1,000 increase in the price of Bitcoin would likely add up to \$20 million of EBITDA—meaning that if the price of Bitcoin were to increase to \$20,000, Adjusted EBITDA could be over \$200 million on a run-rate basis. If Bitcoin prices return to \$24,500, we estimate that Core Scientific will generate nearly \$275 million of Adjusted EBITDA to service creditors.

Our proposal is simple. It provides sufficient liquidity to avoid bankruptcy. B. Riley's proposal does not purport to haircut amounts owed to the Company's equipment lenders. B. Riley is prepared to fund the first \$40 million of financing immediately, with zero contingencies. For the remainder of B. Riley's proposed new financing, at Bitcoin prices of \$18,500 and below, all principal payments to equipment lenders would need to be suspended until the price of Bitcoin recovers to \$18,500. Once that happens, the proposal provides free cash flow will be distributed in cascading amounts to equipment lenders in the form of interest and partial principal payments until they are made whole. As Bitcoin continues to rise, additional free cash flow will be distributed in increasing amounts. In the meantime, all interest payments to equipment lenders (and B. Riley itself under its outstanding bridge loan) would be paid in kind for one year to provide additional runway for the Company. We have had extensive discussions with the Company's equipment lenders and believe this path should be acceptable to them.

That leaves the convertible debt. There is no reason to address this debt at the present juncture. It has more than 2 years remaining to maturity and only \$17 million of cash interest payments. It is a piece of paper that was put in place to withstand a reduction in the price of Bitcoin. To address this now is unnecessary. If every oil producer had decided to restructure its debt two years ago when oil traded in the single digits, the only beneficiary would have been those that participated in an unnecessary restructuring.

Time is of the essence. We have extensive experience advising and participating in a "review" process. It is expensive and when the train gets going it is hard to stop. Fortunately, due to our involvement with the Company, we are prepared to move forward with our alternate, ⌘

superior proposal immediately. We are also prepared to work with all stakeholders to achieve the best outcome under the circumstances. In our view it would be a gross violation of the fiduciary duties owed by the Board and Management for those fiduciaries—who must put our interests ahead of their own—to authorize a Chapter 11 filing.

We strongly urge the Board of Directors to work with us expeditiously to achieve a productive resolution for the benefit of all Core Scientific stakeholders.

Sincerely,
Bryant Riley

About B. Riley Financial

B. Riley Financial is a diversified financial services platform that delivers tailored solutions to meet the strategic, operational, and capital needs of its clients and partners. B. Riley leverages cross-platform expertise to provide clients with full service, collaborative solutions at every stage of the business life cycle. Through its affiliated subsidiaries, B. Riley provides end-to-end, collaborative financial services across investment banking, institutional brokerage, private wealth and investment management, financial consulting, corporate restructuring, operations management, risk and compliance, due diligence, forensic accounting, litigation support, appraisal and valuation, auction, and liquidation services. B. Riley opportunistically invests to benefit its shareholders, and certain registered affiliates originate and underwrite senior secured loans for asset-rich companies. B. Riley refers to B. Riley Financial, Inc. and/or one or more of its subsidiaries or affiliates. For more information, please visit www.brileyfin.com.

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